



Thursday 4 June 2015 – Afternoon

GCSE ECONOMICS

A593/01 The UK Economy and Globalisation

Candidates answer on the Question Paper.

OCR supplied materials:

- Stimulus material (A593/01/SM)

Other materials required:

- Calculators may be used

Duration: 1 hour 30 minutes



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| Candidate forename | | Candidate surname | |
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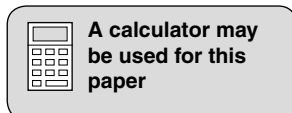
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| Centre number | | | | | | Candidate number | | | | |
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INSTRUCTIONS TO CANDIDATES

- Refer to the Stimulus Material in the separate booklet. You must **not** bring your original copy into the examination.
- Write your name, centre number and candidate number in the boxes above. Please write clearly and in capital letters.
- Use black ink. HB pencil may be used for graphs and diagrams only.
- Answer **all** the questions.
- Read each question carefully. Make sure you know what you have to do before starting your answer.
- Write your answer to each question in the space provided. If additional space is required, you should use the lined pages at the end of this booklet. The question number(s) must be clearly shown.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **80**.
- The quality of your written communication will be taken into account in the marking of your answer to question 5.
- This document consists of **16** pages. Any blank pages are indicated.



Answer **all** questions.

Using your knowledge of economics and with reference to the given figures, answer the following questions in the spaces provided.

Use Fig. 1 in answering the following question:

1 (a) What is meant by specialisation?

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..... [1]

(b) (i) Identify the value of UK exports of services to France in 2011.

..... [1]

(ii) Identify the value of services imported into the UK from Sweden in 2011.

..... [1]

3

Use Figs 2 and 3 in answering the following question.

2 (a) In the table below, place a tick (✓) against **two** components of the current account of the balance of payments.

| Components | Tick (✓) |
|------------------------------------|-----------------|
| Trade in goods | |
| Bank loans between countries | |
| Trade in services | |
| The purchase of factories overseas | |

[2]

(b) Using calculations, compare the UK's balance of trade in Accommodation and Food Services with the UK's balance trade in Information and Communication Services in 2011. Show your working.

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[4]

(c) The UK has a deficit on the current account of the balance of payments.

Explain **two** possible reasons why the UK may have a deficit on the current account of the balance of payments.

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[6]

Use Fig. 4 in answering the following question.

3 (a) (i) Explain what is meant by 'negative externality'.

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..... [2]

(ii) Identify **two** possible negative externalities which might result from increased world trade.

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..... [2]

(b) Explain what is meant by global interdependence.

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..... [2]

(c) Fig. 4 states that some economists have advised governments to use protectionist policies rather than free trade policies.

In the table below, place a tick (✓) against **two** methods of protectionism which countries could use.

| Methods | Tick (✓) |
|-------------------------|----------|
| Embargoes | |
| Joining a customs union | |
| Quotas | |
| Reducing tariffs | |

[2]

Use Figs 5 and 6 in answering the following question.

4 (a) (i) What is the full name of the WTO?

W..... T O [1]

(ii) Explain how the WTO promotes free trade.

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..... [2]

(b) In Fig. 6 the Indian Commerce Minister states that a collapse in the WTO talks could be “disastrous for the world economy”.

Analyse how a fall in a country’s export trade might affect that country’s economy.

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Use Figs 7, 8 and 9 in answering the following question.

- 5 (a) Using Fig. 7 compare the level of National Income per capita in Benin with the level of National Income per capita in the UK.

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..... [2]

- (b) Using Fig. 7 calculate the total level of National Income in Benin. Show your working.

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..... [3]

- (c) (i) Using Fig. 8 compare the number of people in poverty in Nigeria in 1980 with the number of people in poverty in Nigeria in 2010.

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..... [2]

- (ii) Explain what is meant by the term 'absolute poverty'.

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(d) Fig. 9 refers to the level of poverty in Nigeria.

Evaluate the likely effectiveness of **two** different policies a government might introduce to reduce poverty.

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[8]

Use Figs 10 and 11 in answering the following question.

6 (a) (i) Explain what is meant by foreign aid.

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(ii) Other than 'Aid for Trade', give an example of foreign aid.

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..... [1]

(b) Discuss **two** factors which limit developing countries benefiting from globalisation.

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[8]

- *7 Using information in the case study and your own knowledge of economics, evaluate the effectiveness of international trade as a method of supporting economic growth in developing countries. [12]

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ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined page(s). The question number(s) must be clearly shown in the margins.

A large area of lined paper for writing answers. It features a vertical margin line on the left side and horizontal dotted lines for writing. The lines are evenly spaced and extend across the width of the page.

A series of horizontal dotted lines for writing, spanning most of the page width. A solid vertical line is positioned on the left side, approximately one-tenth of the way across the page, creating a margin.

PLEASE DO NOT WRITE ON THIS PAGE



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Thursday 4 June 2015 – Afternoon

GCSE ECONOMICS

A593/01/SM The UK Economy and Globalisation

STIMULUS MATERIAL

Duration: 1 hour 30 minutes



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- You may **not** take notes into the examination.

INFORMATION FOR CANDIDATES

- This document consists of **12** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

- Do not send this stimulus material for marking; it should be retained in the centre or recycled. Please contact OCR Copyright should you wish to re-use this document.

Globalisation and development

Over the past 30 years, economists have observed the process of globalisation with great interest. There has been much debate and disagreement over the effects of globalisation on developed and developing economies but what is not in doubt is that globalisation has had a great impact on the UK and on other world economies.

During this time period there has been a huge growth in world trade. The value of world trade has continued to rise, even during the economic slowdown which started in 2008. One of the reasons for this expansion in trade is that the WTO has played a significant role in the reduction of protectionist measures.

This growth in world trade has brought many benefits, but it has been suggested that it has also caused a range of different problems for a number of countries. For example, some economists refer to the fact that the UK continues to run a current account deficit on the balance of payments.

Other economists emphasise that the benefits of increased trade have not been felt equally by different countries.

In 2005 the WTO introduced the 'Aid for Trade' initiative. This encourages developed economies to assist developing economies so that developing countries can gain the full benefits of trade. This is only one method of supporting growth in developing countries, with different policies being favoured by other economists.

A group of economics students decided to investigate the benefits of globalisation and the impact of trade on different economies. They collected the following information through their research.

Trade in services forms just one part of the current account on the balance of payments. This is one aspect of trade where the UK performs strongly and it continues to run a trade surplus. In part this is a result of specialisation within the UK economy.

The data below shows the five most important export markets for UK services in 2011 and the five countries from which the UK imported the most services in 2011.

| | Country | Value of exports (£bn) | | Country | Value of imports (£bn) |
|---|----------------|------------------------|--|----------------|------------------------|
| 1 | Irish Republic | 6.1 | | Germany | 3.8 |
| 2 | Switzerland | 6.0 | | France | 3.4 |
| 3 | Germany | 5.5 | | Irish Republic | 1.9 |
| 4 | Netherlands | 4.8 | | Netherlands | 1.5 |
| 5 | France | 4.1 | | Sweden | 1.4 |

Fig. 1 – Value of UK exports and imports of services in 2011

The data in Figs 2 and 3 summarises the external trading position of services in the UK economy in 2011. Overall, the UK recorded a surplus on trade in services in that year. However, the overall current account balance showed a continued deficit.

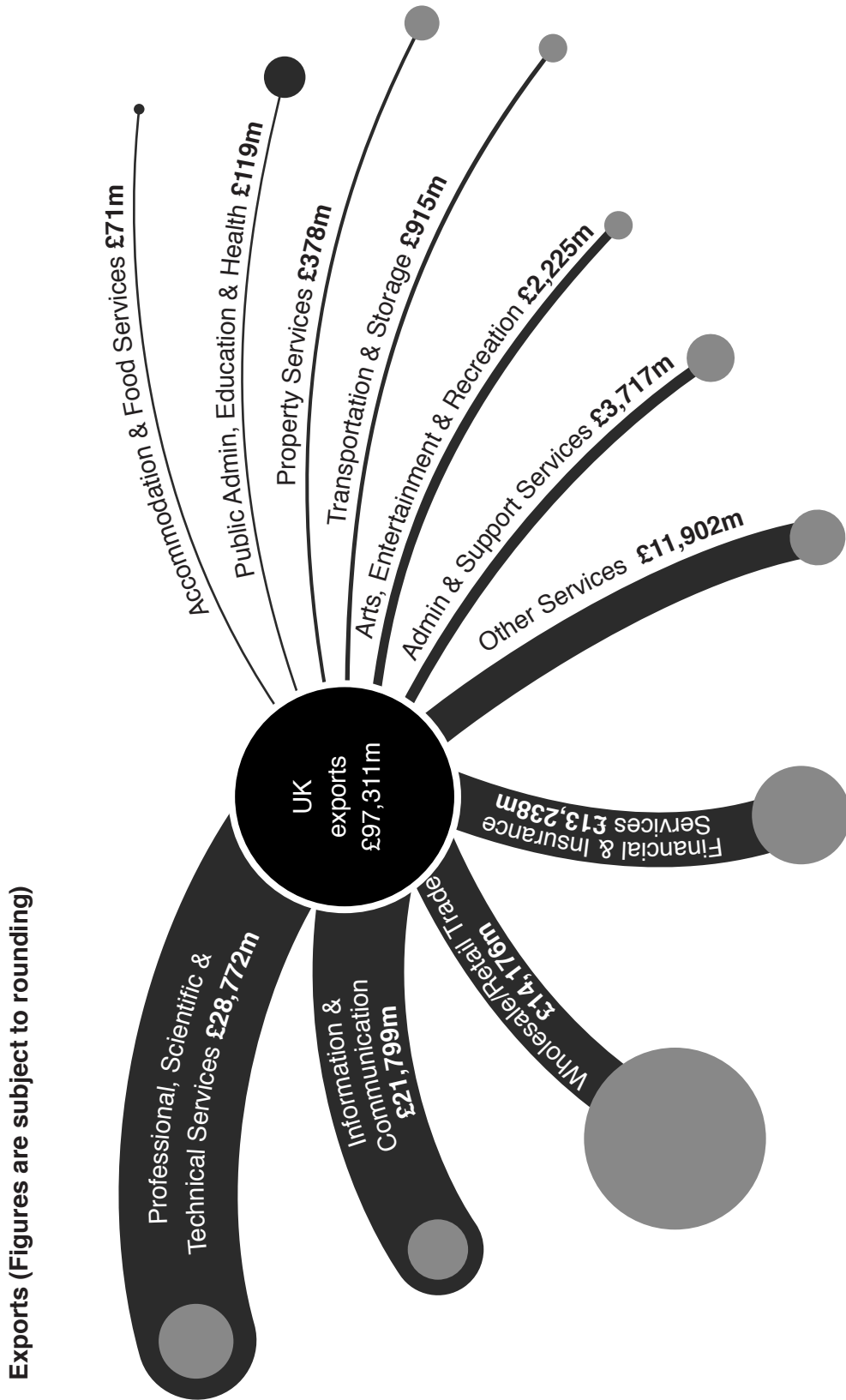


Fig. 2 – Value of UK exports of services in 2011 (millions of pounds)

Imports (Figures are subject to rounding)

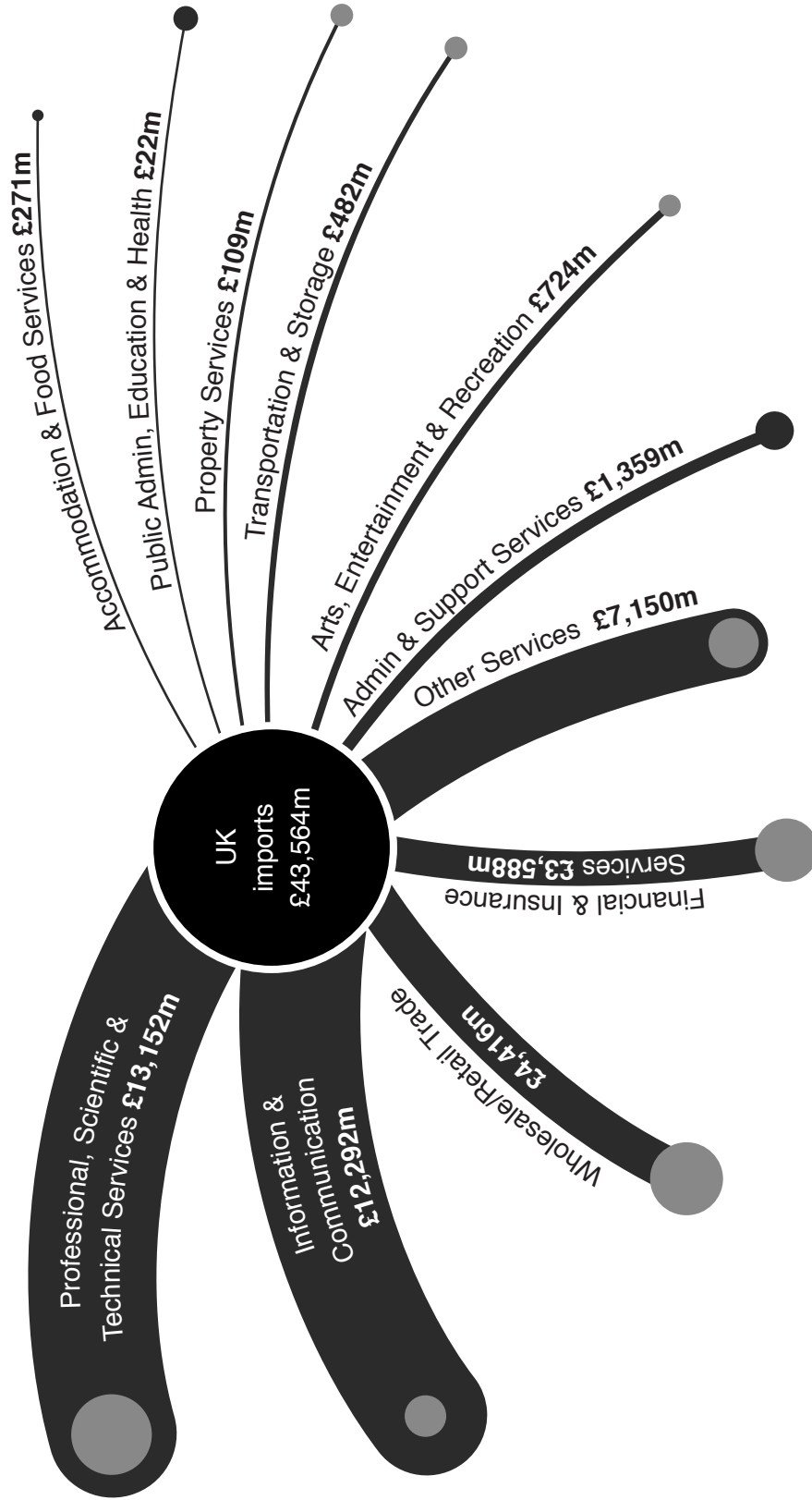


Fig. 3 – Value of UK imports of services in 2011 (millions of pounds)

Some economists highlight the possible gains to the UK and other economies of following free trade policies as part of the globalisation process. In contrast, other economists recognise that there might be problems resulting from globalisation, as shown below.

Critics claim that the overall impact of globalisation on the UK economy has been negative. Some of the critics have called for the use of protectionist policies to limit these problems.

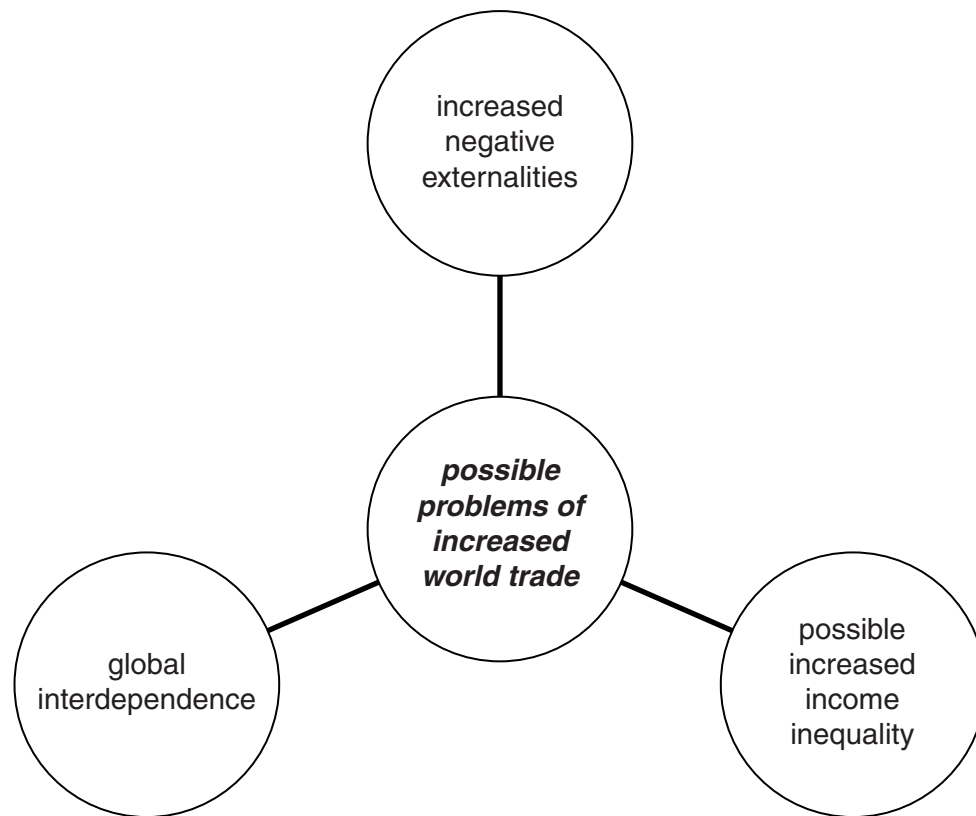


Fig. 4 – Some of the possible problems of globalisation

The WTO has cut its trade growth forecast for 2013 because of risks from the Eurozone crisis and from greater protectionism.

Global trade had been forecast to grow by 4.5% in 2013, but it was later only expected to grow by 3.3%. WTO Director General, Pascal Lamy, indicated that countries might turn to protectionism as other attempts to boost economic growth had not been as successful as had been hoped.

The WTO added that “China’s growth should continue to outpace other leading economies, cushioning the slowdown in the growth of world trade, but world exports will still be constrained by weak demand in Europe”.

Fig. 5 – News article: WTO cuts 2013 trade growth forecast

India’s Commerce Minister, Anand Sharma, has said that the current round of trade negotiations at the WTO must continue.

He told the BBC that a potential collapse of these talks could be disastrous for the world economy. He added that global trade has struggled to recover from the 2008–2009 financial crisis, with problems in the Eurozone and turbulence in the Middle East and Africa.

Fig. 6 – News article: Possible failure of WTO talks would be ‘disastrous’ says Indian Commerce Minister

The following data was collected about certain world economies.

| | Bangladesh | Benin | India | United Kingdom |
|---|--|------------------------|---|---|
| Population in 2012 (millions) | 152.4 | 9.4 | 1300 | 62.8 |
| Life expectancy (years) | 70 (women) 69 (men) | 59 (women) 55 (men) | 68 (women) 64 (men) | 82 (women) 78 (men) |
| Main exports | Clothing Fish Jute goods Leather products | Cotton Palm oil | Agricultural products Textiles Software services Chemicals | Manufactured goods Chemicals Foodstuffs Services |
| National Income per capita in 2011 (US \$) | 780 | 800 | 1420 | 37780 |

Fig. 7 – Selected data profiling four world economies

Many countries continue to enjoy the benefits of increased trade, but there are still obstacles which prevent developing countries from achieving the full benefits of increased trade. A number of developing countries have high levels of poverty and there is no guarantee that trade can solve the problems of such poverty.

The following information is about Nigeria, which has enjoyed strong economic growth, but at the same time has millions of people classed as living in poverty.

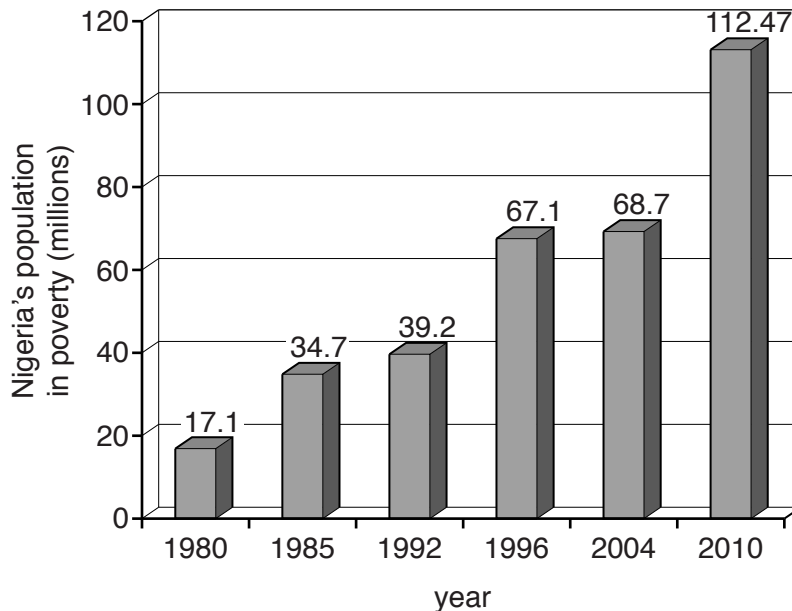


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Nigeria is Africa's biggest oil producer but the sector has been linked to accusations of corruption. The NBS said that there was a paradox at the heart of Nigeria because the economy was going from strength to strength, mainly because of oil production – but Nigerians were getting poorer.

Oil accounts for some 80% of Nigeria's state revenues but Nigeria has hardly any capacity to refine crude oil into fuel. The crude oil has to be exported for refining and then imported back into Nigeria as fuel.

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Some research was undertaken as to what measures could be put in place to support growth in developing economies. One of these measures is Foreign Aid, which includes the 'Aid for Trade' initiative.

Aid for Trade

'Aid for Trade' helps developing countries, particularly the least developed countries, to trade.

Many developing countries face a range of obstacles which limit their ability to engage in international trade.

The WTO led 'Aid for Trade' initiative seeks to bring together resources to address the trade-related constraints identified by the developing and least developed countries.

Fig. 10 – An introduction to 'Aid for Trade'

'Aid for Trade' is needed because many of the poorest countries have struggled to benefit from trading opportunities due to their inability to produce or export efficiently. Many African countries desperately need resources to improve their infrastructure such as ports, telecommunications and customs facilities. If such countries cannot send goods to world markets in a competitive way, then they will gain little from international trade.

Some studies have shown that with sound infrastructure, transport costs could be reduced by between 40% and 60%.

Fig. 11 – Why 'Aid for Trade'? : Global Review of 'Aid for Trade', 2011

Some data was found on the level of economic growth in different countries and the proportion of economic output which was accounted for by exports. In addition, an article was found which argued that trade could help countries to achieve economic growth.

| | GDP (US \$ bns) | GDP growth increase from 2011 (%) | Exports of goods and services (% share of GDP) |
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| France | 2612.9 | 0 | 27 |
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| Ghana | 40.7 | 7.9 | 46 |
| India | 1841.7 | 3.2 | 24 |
| UK | 2435.2 | 0.3 | 32 |

Fig. 12 – Economic indicators for selected world economies in 2012

In today's climate of weak economic recovery and high unemployment, what can governments do to boost growth and employment? One answer lies in keeping global markets open to trade.

Findings from a recent report highlight how different aspects of trade play a pivotal role in boosting growth.

Trade affects employment in many ways. One of the most important is through economic growth and rising per capita incomes. Numerous studies, covering different countries at very different levels of development, highlight the vital role of trade in driving economic growth.

Case studies reviewing the experience of the 12 most rapidly growing countries over the past 60 years concluded that the power of the global economy was a central feature common to all 12 countries. Other case studies suggest that the evidence is "overwhelming" that trade plays an essential role in raising incomes.

Fig. 13 – OECD report: 'Trade, growth and jobs'



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JUNE 2015



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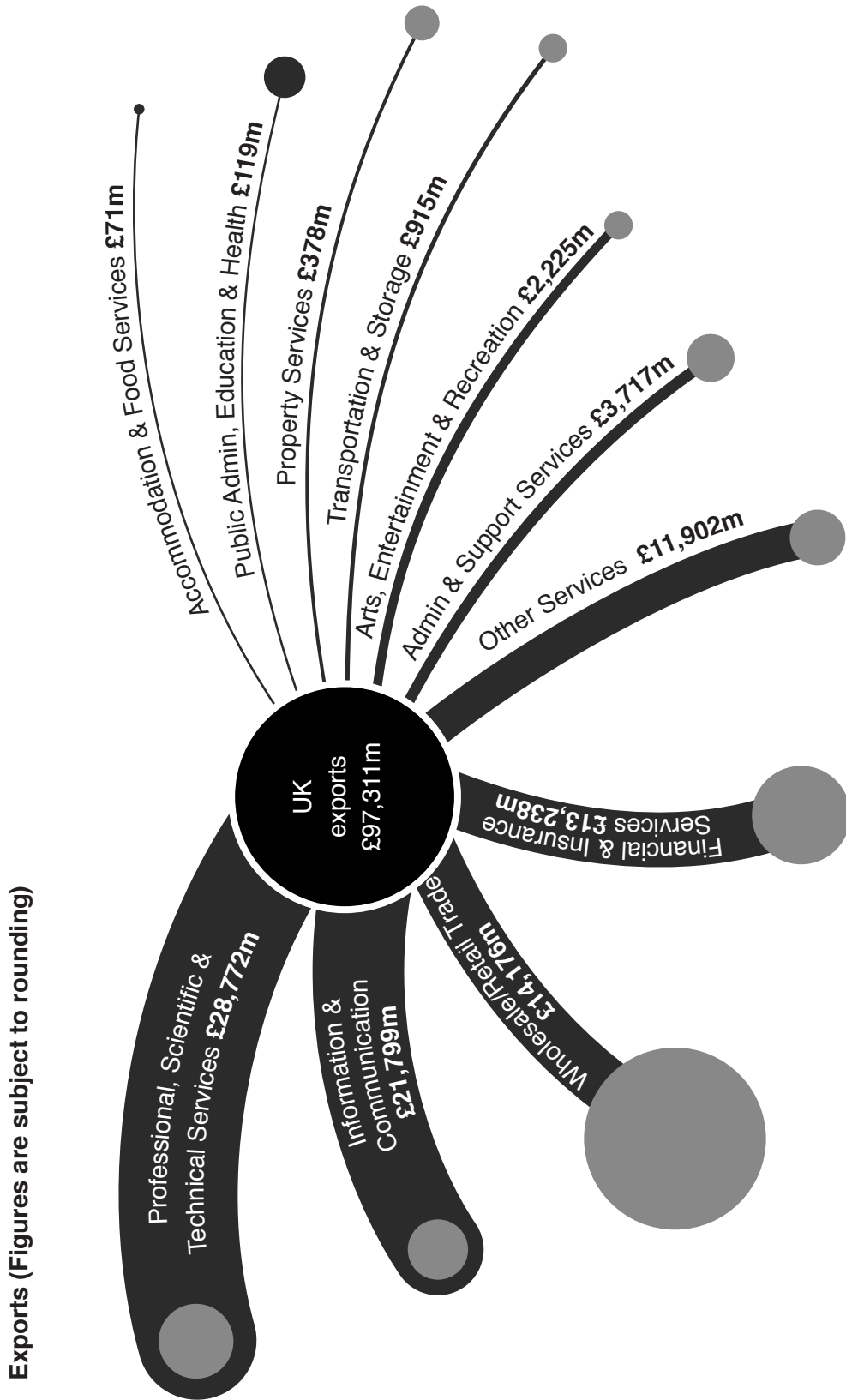


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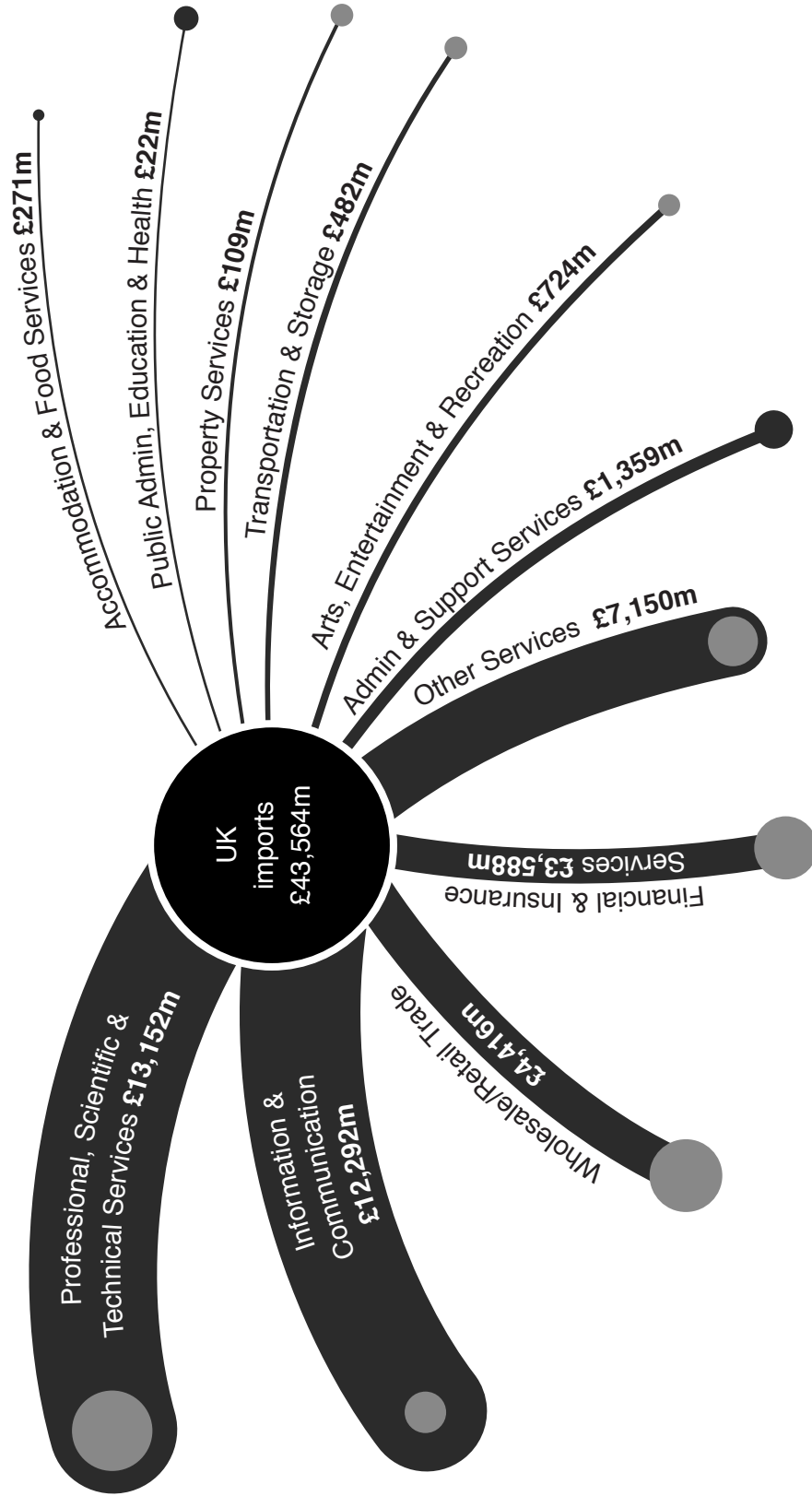


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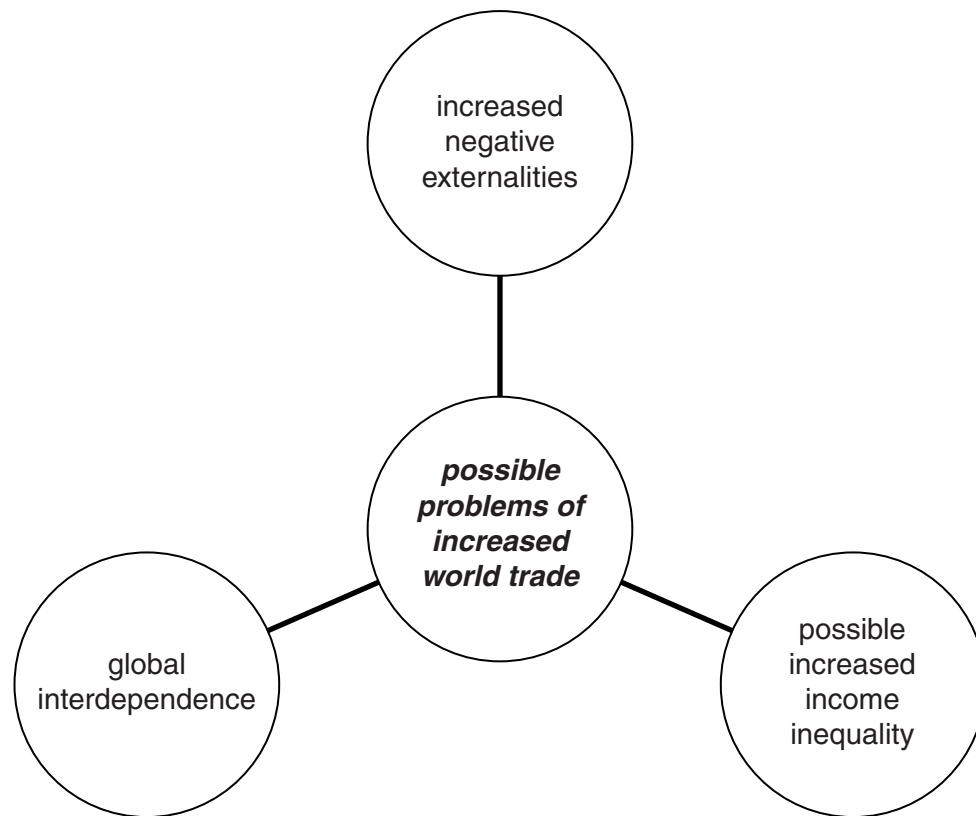


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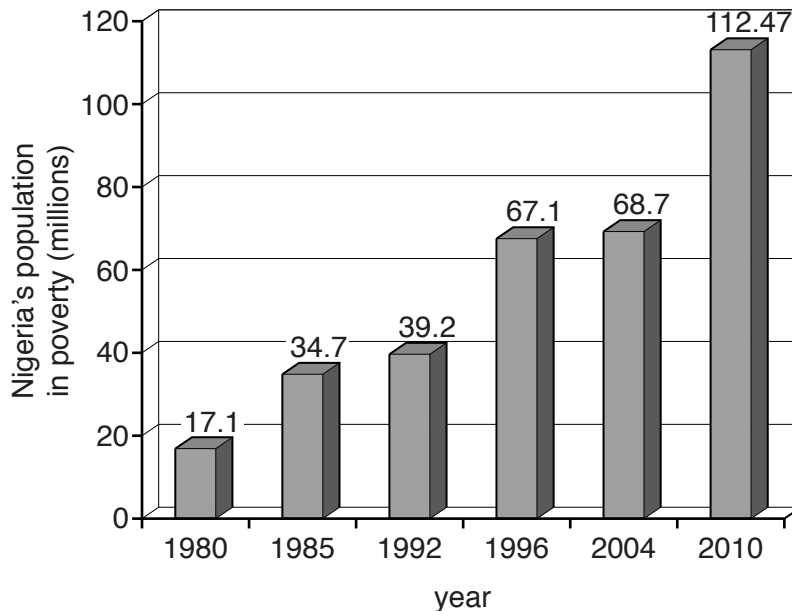


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